



# OVERCOMING CREDIT OBSTACLES

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## Learning Concepts



***“Inform, educate, encourage.  
It’s simply a method for getting the  
best out of an individual in terms of  
that individual’s ability.”***

***- Gordon Jago***

***“Teach the player to teach  
themselves!***

***Give them the confidence to recognize  
situations and come to grips with those  
on their own.”***

***- Walter Schmetzer, Sr.***

*What items may delay the loan process?*

*What are borrowers and lenders concerned about?*

- ☑ 1. Credit File Security
- ☑ 2. Best Practices for Lenders –  
Pre- and Post-Credit Pull
- ☑ 3. Credit Score Confusion



A black and white photograph of a rock climber on a red rock face. The climber is positioned in the upper center, silhouetted against the sky. A rope runs from the climber down to the foreground, where a hand is visible holding the rope. The rock face is textured and has a prominent horizontal crack. The sky is overcast.

# Credit File Security

# *“How do I protect my credit files?”*

- Credit Freeze
- Credit Lock
- Credit Monitoring
- Fraud Alerts

# The right tool for the job?

	Freeze	Lock	Monitoring	Fraud Alerts
Free	All Bureaus	TU & EFX		All Bureaus
Prevents Fraud	X	X		X
Notifies You			X	X
Costs to Use		X	X	
Requires Pin	X			
Restricts Access	X	X		

## Credit Locks

- Offered by all 3 bureaus
- Can be initiated from mobile device
- Free at Equifax and TransUnion (Experian charges for subscription package.)
- Can interrupt or delay accessing credit data

## Credit Freeze

- Can be permanent or temporary
- Members will need PIN to lift freeze
- No charge from the bureaus
- Can interrupt or delay accessing credit data



**Initial Fraud Alert:** Active for 90 days. May be extended for another 90 days.

**Extended Fraud Alert:** Active for 7 years.

**Active Duty Fraud Alert:** Only available for military while on active duty. May be extended.



# Credit Alerts – How do we clear these?



Alert	Definition/Use	Recommended Action
<b>Mismatch Alerts</b>	Address or SSN as entered does not match bureau records.	Contact your CRA – Verify correct address or SSN based on documents or ‘Source of Information’.
<b>Fraud Alerts</b>	Notifies lender consumer may have been a victim of fraud.	Defer to lender’s legal department for further action but typically lenders must contact the applicant.
<b>Frozen File/Locked Alert</b>	Consumer has chosen to restrict access to their credit report.	Lifting freeze may take 24-72 hours; Unlocking file typically immediate.

# Pre and Post Credit Pull



# Pre-Credit Checklist



- ☒ Does your borrower have any frozen or locked files? Lifting a freeze *may* take 72 hours.
- ☒ Does your borrower have any disputed accounts? What are underwriting requirements?
- ☒ What is the general state of their credit? Recent negative items? High CC balances?
- ☒ Advise your borrower to review the credit report with you *before* paying any judgments, charged-off accounts, or collections. What are your underwriting guidelines?
- ☒ Do you have permissible purpose to pull credit? Verbal permission is acceptable.
- ☒ Encourage clients “Opt-Out” before pulling credit – protect your relationships.

# Pre-Credit Checklist – How Can Realtor Partners Help?



Questions agents can ask to help prepare homebuyers prior to meeting the lender -

*Do you have locked or frozen bureau files? It may take up to 72 hours to lift a freeze. We want the bureaus available when the lender pulls your credit.*

*Do you have any accounts currently in a disputed status? Some lenders may require disputes be removed prior to pulling credit. Check with your lender.*

*Do you have any recent negative items or high credit card balances? Let's avoid any surprises for your lender.*

*Review the credit report with your lender before paying any judgments, charged-off accounts, or collections.*

# Opt-Out Services

- Help clients avoid unwanted solicitations for credit;  
*and*
- Protect your borrower relationships.
- American Reporting Company will never sell your borrower's information.

# Opt-Out Services – Example Communication

Dear Valued Client,

Several of you have asked me how to eliminate unwanted solicitations from mortgage lenders, credit card companies, and other credit grantors. The best way to eliminate these is to opt out by using the following links. (NOTE: There may be some exceptions)

To eliminate unwanted mail solicitations go to [www.optoutprescreen.com](http://www.optoutprescreen.com) or call 888-567-8688

To eliminate unwanted phone solicitations go to [www.donotcall.gov](http://www.donotcall.gov) or call 888-382-1222.

I have included a resource guide with these and other useful contact information in regarding your credit report and credit scores. Please contact me anytime with additional questions.

- Explain process.
- Obtain permission to pull credit.

- Verbal permission is acceptable
- Written permission is preferred.
- Maintain all communication and documentation.

- Notify bureaus and creditor.
- Provide details.

Set expectations now, avoid confusion later.

# Disputed Inquiries | “I didn’t authorize you to pull my credit.”

- The bureaus have processes in place to address disputed inquiries. Check with your credit reporting provider.
- Retain all documentation and communication from your borrower.
- Advise your borrower: “The credit reporting agency’s name may appear in the Inquiry Section of the credit report or your credit monitoring service.”

B	B	<a href="#">TARGET NB</a>	03/10	07/04 03/06	\$10000 REV	\$0 \$0	\$0	68	0	0	0	PAID <a href="#">XP/EF</a>
4352375050530569												
CLOSED ACCOUNT												
COLLECTION ACCOUNTS												
*** NONE ***												
OTHER CREDIT HISTORY												
*** NONE ***												
PUBLIC RECORDS												
*** NONE ***												
INQUIRIES (LAST 120 DAYS)												
XP	B	03/01/19	American Reporting Company				BANKING					

# Post Credit Pull Checklist



- ☒ Check for ID Mismatch and Fraud Alerts
- ☒ Review and prepare to explain the FICO® Scores delivered with the report.
- ☒ Review credit report with your borrower:  
***“Are there any reporting errors on the report?”***
- ☒ Review credit report with your underwriter:  
***“Will we need to order any supplements to meet underwriting guidelines?”***
- ☒ Avoid credit repair companies.

# Ordering Supplements- Some Best Practices



- ✓ Has your borrower signed a “wet signature” authorization?  
***Some creditors will not accept e-signatures.***
- ✓ Request full account numbers from your borrower.  
***This allows the CRA to update accounts via the automated system.***
- ✓ Are conference calls required?  
***Some creditors require a conference call with your borrower on the line.***
- ✓ Re-Scores -  
***Does your borrower have documentation on creditor letterhead?***
- ✓ Plan early; avoid last minute delays.

# Alerts Section – Investigating Alerts

- 40 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED
- 10 - PROPORTION OF BALANCE TO HIGH CREDIT ON BANK REVOLVING OR ALL REVOLVING ACCOUNTS
- 14 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED
- 33 - PROPORTION OF LOAN BALANCES TO LOAN AMOUNTS IS TOO HIGH

ALERT	
1 - JANET X TESTCASE YOB: 1947 EXPERIAN OFAC NAME MATCHING SERVICE: NO MATCH FOUND UNLESS OTHERWISE INDICATED	
0 - ID MISMATCH ALERT: ADDRESS MISMATCH; INPUT DOES NOT MATCH FILE.	
0 - ID MISMATCH ALERT: SSN MISMATCH; INPUT SSN DOES NOT MATCH FILE	
0 - EQUIFAX FRAUD ALERT: POSSIBLE ID THEFT VICTIM - INITIAL ALERT ON FILE. DO NOT GRANT CREDIT WITHOUT VERIFYING THE CONSUMER'S IDENTITY.	

[Request New Tradeline](#)



**ECOA KEY:** B=BORROWER; C=CO-BORROWER; J=JOINT; U=UNDESIGNATED; A=AUTHORIZED USER; P=PARTICIPANT; S=CO-SIGNER; M=MAKER; X=DECEASED; I=INDIVIDUAL; T=TERMINATED

**AMERICAN REPORTING: 6628 212TH ST SW STE 100, LYNNWOOD, WA 98036 (P) 425.563.1900 (F) 425.381.2077**

The information is furnished in response to an inquiry for the purpose of evaluating credit risks. It has been obtained from sources deemed reliable, the accuracy of which this organization does not guarantee. The inquirer has agreed to indemnify that reporting bureau for any damage arising from misuse of this information, and this report is furnished in reliance upon that indemnity. It must be held in strict confidence and complies with the provisions of Public Law 91-508, the Fair Credit Reporting Act. Reporting bureau certifies that all Residential Mortgage Credit Reports meet the standards prescribed by FNMA, FHMC, FHA, VA and the Farmers Home Administration.



- ☒ Check for ID Mismatch and Fraud Alerts
- ☒ Compare the information entered with the SOURCE OF INFORMATION section.
- ☒ The SOURCE OF INFORMATION is considered the definitive bureau information.
- ☒ Review the credit report internally and with your borrower.  
***Are there any typos? Did the borrower recently change their surname; address?***
- ☒ Contact your CRA for further review of the alerts.

# Alerts Section – Investigating Alerts.

SOURCE OF INFORMATION		
	NAME: JANET TESTCASE 000000003 DOB: N/A	
	SSN: 000000003	
	ADDRESS: 19 FOREST DR, ANTHILL, MO 65488-0001 - REPORTED 06/03 - 04/18	
	ADDRESS: 39804 HIGHWAY 27, MO, 65488 - REPORTED 06/17 - 10/17	
	ADDRESS: 1000 N 26TH ST, ANTHILL, MO 65488 - REPORTED 08/17	
	EMPLOYER: STATE OF MISSOURI// - REPORTED 10/13	
	EMPLOYER: DEPT OF REVENUE// - REPORTED 09/11	
2	TRANSUNION - PULLED ON: 11/05/18 - INFILE DATE: 10/01/90	
	NAME: JANET X TESTCASE	
	NAME: DOB: 01/22/47	
	SSN: 000000003	
	ADDRESS: 19 FOREST DR, ANTHILL, MO 65488 - REPORTED 11/17	
	ADDRESS: 39804 HIGHWAY 27, ANTHILL, MO 65488 - REPORTED 05/17	
	PHONE: 555-0170 - RESIDENCE	
3	EQUIFAX - PULLED ON: 11/05/18 - INFILE DATE: 09/18/82	
	NAME: JANET X TESTCASE DOB: 01/22/47	
	SSN: 000000003	
	ADDRESS: 19 FOREST DR, ANTHILL, MO 65488-0001 - REPORTED 01/10	
	ADDRESS: 39804 HIGHWAY 27, ANTHILL, MO 65488-0001 - REPORTED 10/17	
	ADDRESS: 1000 N 26TH ST, ANTHILL, MO 65488 - REPORTED 06/03	
	EMPLOYER: DEPT OF REVENUE//ANTHILL, MO	
	EMPLOYER: UNKNOWN//ANTHILL, MO	
CREDITORS		
BANK OF AMERICA	PO BOX 1598, NORFOLK, VA 23501	800-205-6247

# Alerts Section – Investigating Alerts



AMERICAN REPORTING COMPANY  
6628 212TH ST SW STE 100, LYNNWOOD, WA 98036  
Phone: 425.563.1900  
Fax: 425.381.2077

## MERGED INFILE CREDIT REPORT

FILE #	2304323	FNMA # INVALID	DATE COMPLETED	11/5/2018	RQD' BY	MIKE OLDEN
SEND TO	AMERICAN REPORTING COMPANY		DATE ORDERED	11/5/2018		
	CUST. # 9999		REPOSITORIES	XP/TU/EF	PRPD' BY	
	6628 212TH ST. SW. STE. 100		PRICE	\$0.00	LOAN TYPE	CONV
	LYNNWOOD, WA 98036		REF. #	MGIC		

### PROPERTY ADDRESS

APPLICANT			CO-APPLICANT		
APPLICANT	TESTCASE. JANET X		CO-APPLICANT		
SOC SEC #	000-00-0030	DOB 01/22/1947	SOC SEC #	DOB	
MARITAL STATUS	SINGLE		DEPENDENTS		
CURRENT ADDRESS	123 MAIN ST, SEATTLE, WA 98104			LENGTH	
PREVIOUS ADDRESS				LENGTH	

### SCORE MODELS

EQUIFAX/FICO CLASSIC V5 FACTA - JANET X TESTCASE - 000000003

# Score Models – Your Roadmap

APPLICANT				CO-APPLICANT	
APPLICANT	TESTCASE, JANET X			CO-APPLICANT	
SOC SEC #	000-00-0030	DOB	01/22/1947	SOC SEC #	DOB
MARITAL STATUS	SINGLE			DEPENDENTS	
CURRENT ADDRESS	123 MAIN ST, SEATTLE, WA 98104			LENGTH	
PREVIOUS ADDRESS				LENGTH	
SCORE MODELS					
EQUIFAX/FICO CLASSIC V5 FACTA - JANET X TESTCASE - 000000003					
SCORE: 622					
00040 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED					
00010 - PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS					
00014 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED					
00020 - LENGTH OF TIME SINCE DEROGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT					
FA - NUMBER OF INQUIRIES ADVERSELY AFFECTED THE SCORE, BUT NOT SIGNIFICANTLY					
TRANSUNION/FICO CLASSIC (98) - JANET X TESTCASE - 000000003					
SCORE: 667					
040 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED					
010 - PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS					
014 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED					
020 - LENGTH OF TIME SINCE DEROGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT					
EXPERIAN/FAIR, ISAAC (VER. 2) - JANET X TESTCASE - 000000003					
SCORE: 654					
40 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED					
10 - PROPORTION OF BALANCE TO HIGH CREDIT ON BANK REVOLVING OR ALL REVOLVING ACCOUNTS					
14 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED					
33 - PROPORTION OF LOAN BALANCES TO LOAN AMOUNTS IS TOO HIGH					

# Credit Score Models – Your Roadmap to Understanding



- ☑ Reason Codes listed in order of importance.
- ☑ Use the Reason Codes to help explain why your borrower received these scores.
- ☑ Review credit report with your borrower:  
***“Are there any reporting errors on the report that may be affecting scores?”***
- ☑ Review credit report with your underwriter:  
***“Will we need to order any supplements to meet underwriting guidelines?”***

# Identifying the “Reasons” – Trade Lines

APPLICANT						CO-APPLICANT						
APPLICANT		TESTCASE, JANET X				CO-APPLICANT						
SOC SEC #		000-00-0030		DOB	01/22/1947	SOC SEC #		DOB				
MARITAL STATUS		SINGLE				DEPENDENTS						
CREDIT												
E C O A	W H O S E	CREDITOR	DATE REPORTED	DATE OPENED	HIGH CREDIT OR LIMIT	BALANCE	PAST DUE	MO REV	30	60	90+	STATUS
				DLA	ACCT TYPE	TERMS						SOURCE
B	B	<a href="#">BANK OF AMERICA MORTGA</a> ACCT000018	11/18	02/16 11/18	\$59997 MTG	\$50686 180 \$659	\$0	32	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>
CONVENTIONAL REAL ESTATE LOAN, INCLUDING PURCHASE MONEY FIRST; FREDDIE MAC ACCOUNT												
B	B	<a href="#">CITIMORTGAGE INC</a> ACCT000022	10/18	01/17 10/18	\$20000 MTG	\$18734 UNK \$194	\$0	13	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>
SECOND MORTGAGE												
B	B	<a href="#">HSBC NV</a> ACCT000010	10/18	05/14 10/18	\$10000 REV	\$10015 MIN \$115	\$0	41	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>
B	B	<a href="#">GEMB/WALMART</a> ACCT000009	11/18	12/13 11/18	\$2700 REV	\$1886 MIN \$79	\$0	59	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>

# Identifying the “Reasons” – Collection Accounts

				COLLECTION ACCOUNTS								
E C O A	W H O S E	CREDITOR	DATE REPORTED	DATE OPENED	HIGH CREDIT OR LIMIT	BALANCE	PAST DUE	MO REV	30	60	90+	STATUS
				DLA	ACCT TYPE	TERMS						SOURCE
B	B	<a href="#">N/A</a> ACCT000020 MEDICAL; ORIGINAL CREDITOR: MEDICAL PAYMENT DATA, ASSIGNED ON 05/16	06/16	05/16 12/14	\$121 COLL	\$121 -	\$121	-	-	-	-	COLLECTION <a href="#">EF</a>
B	B	<a href="#">N/A</a> ACCT000014 ORIGINAL CREDITOR: ORLANDO REGIONA, ASSIGNED ON 10/14	04/16	10/14 02/13	\$28 COLL	\$28 -	\$28	-	-	-	-	COLLECTION <a href="#">EF</a>

- May try to charge fees before any work is completed.
- May promise or imply to delete legitimate credit items.
- **May ask lender for a copy of borrower's credit report.**
- These actions may violate the Credit Repair Organizations Act (CROA) or contracts with the credit bureaus.
- Bureaus can restrict access to lenders who violate this regulation.
- A better alternative – refer borrowers to a HUD certified counselor at [www.hud.gov](http://www.hud.gov).
- For guidelines on disputing credit reporting errors please go to [www.consumer.ftc.gov](http://www.consumer.ftc.gov)



A grayscale photograph of a person climbing a rock face. A bright red horizontal band is superimposed over the middle of the image. In the foreground, a hand is visible holding a rope. The title 'Credit Score Confusion' is written in white text on the red band.

# Credit Score Confusion

*“Why doesn’t your mortgage credit score match my personal credit report score?”*

***There are many credit score models – not all are the same. Let’s identify the scores you received and compare those with your mortgage credit report.***

*“Another lender already pulled my credit; do you need to pull it again?”*

***Yes but if pulled within a specific timeframe, there might not be an additional impact.***

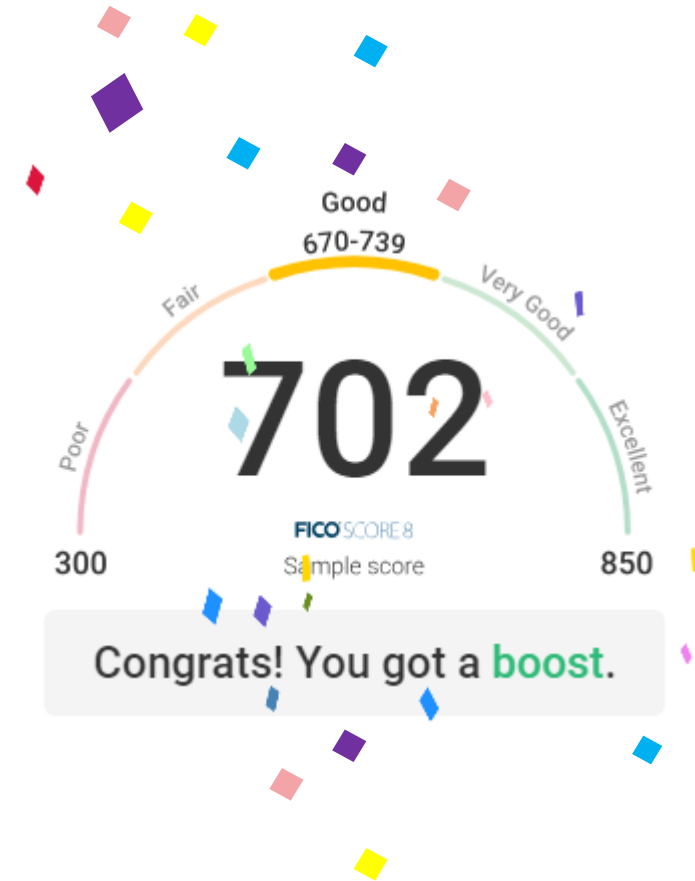
*“I pay my bills on time, in full each month; why don’t I have an 800 credit score?”*

***On-time payments are just one factor that impact credit scores. Let’s review your entire report to see what is affecting your scores.***

*“What is the UltraFICO™ Score and Experian® Boost Score? Can I self-report credit data?”*

***These are new alternative scoring products that may help you. Let’s review the product sheets together.***

- Extra credit for utility and mobile phone payments.
- 8 million consumers could potentially move into Fair (580-669) or Good (670-739) credit ranges.
- Currently reporting to Experian and may help borrower's FICO® Scores.



SOURCE: experian.com

E C O A	W H O S E	CREDIT										STATUS	
		CREDITOR	DATE REPORTED	DATE OPENED	HIGH CREDIT OR LIMIT	BALANCE	PAST DUE	MO REV	30	60	90+		SOURCE
				DLA	ACCT TYPE	TERMS							
B	B	HOMESTREET BANK CORP	03/19	05/18 03/19	\$402550 MTG	\$396741 360 \$3273	\$0	10	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>	
		CONVENTIONAL REAL ESTATE LOAN, INCLUDING PURCHASE MONEY FIRST; FANNIE MAE ACCOUNT											
B	B	DEPT OF EDUCATION/NELN	02/19	05/06 02/19	\$40204 EDU	\$53843 300 \$243	\$0	11	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>	
B	B	ALLY FINCL	02/19	09/16 01/19	\$19581 AUTO	\$14176 72 \$435	\$0	29	1	0	0	CUR WAS 30 <a href="#">XP/TU/EF</a>	
		Late Dates: 12/18-30											
B	B	TDRCS/MOR FURNITURE FO	02/19	08/18 02/19	\$4000 REV	\$3433 MIN \$98	\$0	6	0	0	0	AS AGREED <a href="#">XP/TU/EF</a>	
B	B	TELECOM SELF-REPORTED	03/19	--/-- 03/19	\$230 INST	\$230 001 \$230	\$0	7	0	0	0	AS AGREED <a href="#">XP</a>	
		UTILITY COMPANY, ORIGINAL CREDITOR: CHKG/COMCAST											
B	B	TELECOM SELF-REPORTED	03/19	--/-- 03/19	\$211 INST	\$211 001 \$211	\$0	7	0	0	0	AS AGREED <a href="#">XP</a>	
		UTILITY COMPANY; ORIGINAL CREDITOR: CHKG/VERIZON											
B	B	UTILITY SELF-REPORTED	03/19	--/-- 03/19	\$136 INST	\$136 001 \$136	\$0	5	0	0	0	AS AGREED <a href="#">XP</a>	
		UTILITY COMPANY; ORIGINAL CREDITOR: CHKG/WASTEMANAGEMENT											
B	B	UTILITY SELF-REPORTED	02/19	--/-- 02/19	\$106 INST	\$106 001 \$106	\$0	4	0	0	0	AS AGREED <a href="#">XP</a>	
		UTILITY COMPANY; ORIGINAL CREDITOR: CHKG/PUGETSOUNDENERGY											

- Utilizes data from checking, savings, and money market accounts.
- Generates credit scores based on indicators of responsible financial behavior.
- Over 15 million consumers who currently do not have a FICO® Score could receive an UltraFICO™ Score.



SOURCE: FICO.COM

# Contact Us

We would love to hear from you.

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